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Should wool growers pay lower levies, as revenue rolls in to AWI?

ABC Rural

The wool industry's marketing and research company Australian Wool Innovation is sitting on a proverbial goldmine.

High wool prices mean farmers are paying more wool levies than expected to AWI, and its cash stockpile is growing every week.

Some wool growers are now pointing to the mountains of money, arguing the levy rate should be reduced.

AWI takes a compulsory levy of 2 per cent from farmers for every kilogram of wool sold.

Half of the money must be spent on research, and the other half on marketing.

AWI's chief executive Stuart McCullough said at the company's last annual general meeting that there was much more revenue than expected.

"In levy terms, our levy was up, not because of volume, but because of the value of the Australian wool clip."

For last financial year, AWI raked in 52 per cent more in levy revenue than what it budgeted for.

And more levies equals more cash in matching funds from the Federal Government.

Revenue from other sources, including government, was up 30 per cent on what was expected.

The Australian Wool Growers Association is wondering if growers should pay less in levies given revenue has jumped.

The group's acting chairman Shane Edwards says AWI should release figures on where they want to spend the money.

"If they've got a very good cash reserve and they are struggling to spend the current levies they're receiving, the question's got to be asked is there a need to maintain the current two per cent levy?"

Wool growers around the country will vote later on the year how much of their cash goes to AWI.

They have the option to vote for a levy of zero, 1, 2, 2.5, and 3 per cent.



AWGA - News Update

AWI says in a statement its board will provide a clear position on the company's expenditure to 2016 as part of the WoolPoll process.

"Of paramount importance to the company is an orderly growth in project expenditure during the current and next strategic periods," the statement reads.

"Expenditure precisely in line with company's strategic intent and the removal of funding volatility remain our highest concern.

"The audited reserves currently held by Australian Wool Innovation stand at \$95.6 million, as published in the 2010/11 Annual Report.

"This figure is expected to grow modestly by the end of the current financial year.

"However it is important to note, AWI is obliged to hold a certain level of reserves (\$37.4 million) for a potential exotic disease response and to expedite an orderly closure of the company including projects and operating costs should a 0% levy vote be returned at WoolPoll."

"The intangible asset of the Woolmark brand (\$10 million) should also be deducted from these reserves."



Chief executive Stuart McCullough says AWI is getting more revenue than expected from growers, because of higher wool prices. (Provided by Australian Wool Innovation)